

Message Text

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USOECD

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E.O. 11652: N/A
TAGS: EFIN, PLOS, OECD
SUBJECT: MARCH 7 MEETING OF CFA AD HOC MEETING ON
TAXATION OF DEEP SEABED ACTIVITIES

REF: (A) PARIS 1993, (B) STATE 56990, (C) STATE 56535

1. AD HOC MEETING OF OECD COMMITTEE ON FISCAL AFFAIRS
(CFA) ON TAXATION OF DEEP SEABED MINING INCOME HELD
MARCH 7, PER PARA 10 OF REF A. MEETING WAS CHAIRED
BY THE US REP (HORST). THIRTEEN COUNTRIES REPRESENTED,
MAINLY FROM CAPITALS. NO ATTEMPT TO PRESENT A US
POSITION OR TO DEVELOP A CONSENSUS AMONG OECD COUNTRIES
WAS MADE WITH RESPECT TO ANY OF THE ISSUES DISCUSSED.
RATHER, A GENERAL DISCUSSION WAS HELD OF THE SEVERAL
ISSUES DESCRIBED BELOW IN PARA 2. A WRITTEN CHAIR-
MAN'S SUMMARY OF THE DISCUSSION WILL BE PREPARED FOR
THE JUNE 1978 MEETING OF THE CFA. IN ADDITION, AN
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ORAL REPORT ON THE PROGRESS OF THE LAW OF THE SEA
CONFERENCE WILL BE OFFERED AT THAT TIME.

2. A WIDE RANGE OF ISSUES RELATED TO THE TAXATION OF
DEEP SEABED MINING INCOME WAS DISCUSSED. THOSE ISSUES
INCLUDED:

A) WHAT ARE THE TAX CONSEQUENCES OF BASING PAYMENTS TO AN INTERNATIONAL AUTHORITY ON NET INCOME RATHER THAN ON GROSS INCOME?

B) IF THE PAYMENTS WERE BASED ON NET INCOME, SHOULD THEY BE ACCORDED A FOREIGN TAX CREDIT?

C) MIGHT THE INTERNATIONAL AUTHORITY HAVE THE RIGHT TO TAX LAND-BASED PROCESSING?

D) SHOULD THE AUTHORITY AND/OR ITS EMPLOYEES BE EXEMPT FROM NATIONAL TAXES? SHOULD THE ENTERPRISE, THE OPERATING ARM OF THE AUTHORITY, BE TAX EXEMPT?

E) DOES DEEP SEABED MINING POSE SPECIAL PROBLEMS OF INTERNATIONAL TAX AVOIDANCE?

F) WHAT IMPLICATION DOES THE TAX TREATMENT OF DEEP SEABED MINING HOLD FOR OTHER INTERNATIONAL ACTIVITIES, SUCH AS INTERNATIONAL SHIPPING?

G) SHOULD THE OECD COUNTRIES ATTEMPT TO FORM A CONSENSUS IN ADDRESSING ANY OF THE ABOVE ISSUES? IF SO, SHOULD THAT CONSENSUS BE ATTEMPTED BEFORE OR AFTER COMPLETION OF THE UN LAW OF THE SEA CONFERENCE?

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3. WHILE VARIOUS EXPERTS EXPRESSED OPINIONS ON THESE ISSUES AND EXPLAINED CONCERNS OF THEIR AUTHORITIES, CHAIRMAN'S SUMMARY WILL NEITHER ATTRIBUTE VIEWS TO INDIVIDUAL COUNTRIES NOR CHARACTERIZE THEM AS REPRESENTING OFFICIAL POSITIONS.

4. NO FURTHER MEETINGS OF THIS AD HOC CFA COMMITTEE ARE CURRENTLY SCHEDULED. RATHER, THE NEED FOR FURTHER DISCUSSION WILL BE ASSESSED FOLLOWING DISCUSSION AT THE JUNE CFA MEETING ON THE BASIS OF THE ABOVE-NOTED WRITTEN SUMMARY OF THE MARCH 7 MEETING. SALZMAN

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